

UNCLASSIFIED

Iraq

Status Report

September 29, 2010



Bureau of Near Eastern Affairs
U.S. Department of State

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HIGHLIGHTS

- **Zebari Urges the U.S. to Take Active Role in Government Formation (*POLITICAL*, page 4)**
- **Ten Suspected Al-Qaida Leaders Arrested by ISF (*SECURITY*, page 10)**
- **KRG Agrees to Integrate Central Banks into National Fiscal System (*ECONOMIC*, page 15)**
- **Iraq and Syria Restore Full Diplomatic Relations (*DIPLOMATIC*, page 20)**



POLITICAL – Governance & Legislation

Government formation negotiations continue

Zebari Urges the U.S. to Take Active Role in Government Formation:

- **Foreign Minister Hoshyar Zebari urged the United States on September 27 to take a more active role in breaking the deadlock over government formation, emphasizing that the delay has adversely affected the country politically and economically. Zebari said that the U.S. has not taken "an active" role because it believes the formation of the government should be done by the Iraqis themselves. He said, however, that there has been "an important positive result" of the delay in forming a government. The delay shows "that the Iraqi leaders, that the new Iraq, will not budge to foreign pressures, not to Iran, not to the United States, not to Arab countries, not to Turkey," he said. "They want to decide their own future, to choose their own government, their own leaders by themselves. But their way — it has taken us too long."**



POLITICAL – Governance & Legislation

Government formation negotiations continue

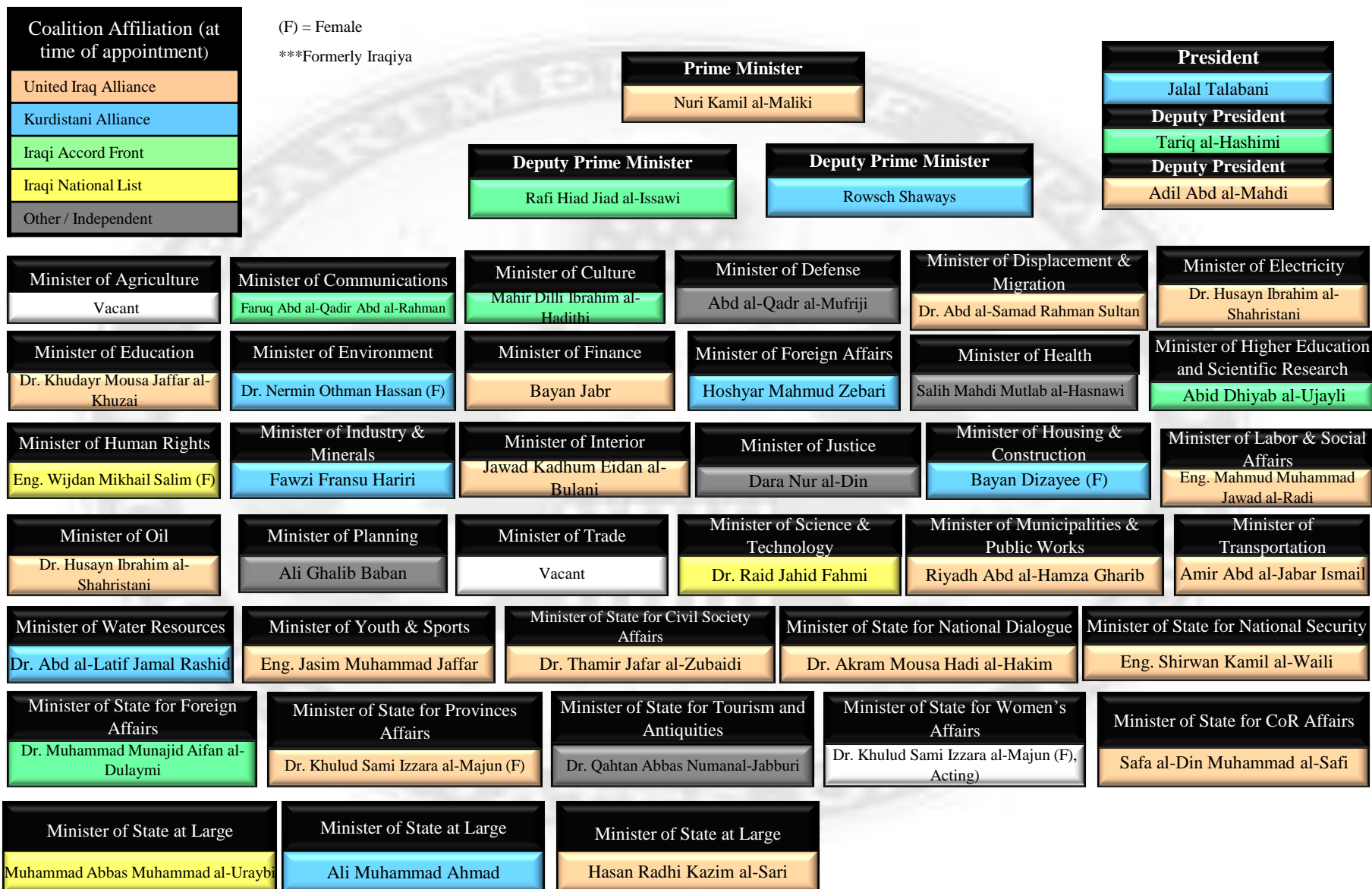
INA Says Government Must Include both State of Law and Iraqiyya:

- Vice President Adil Abd al-Mahdi, a leading figure of the Iraqi National Alliance (INA), said on September 28 that his bloc will not take part in a non-inclusive government. "The INA will not take part in a government which will not be approved by all political blocs. The new government will not succeed without the participation of State of Law and Iraqiyya," he said.

Regional Governments Call on Iraq to Form Government:

- The interior ministers of Iraq, Saudi Arabia, Iran, Turkey, Syria, Kuwait, Jordan, Egypt, and Bahrain have called on Iraq to form a government as soon as possible and pledged increased cooperation in fighting terrorism. "The formation of a government representing the different components of Iraqi society is an internal issue to be decided by Iraqi political forces," the ministers said in a statement issued on September 22 in Bahrain. But the quick formation of a government is "a national, regional and international need," they added. The ministers decided to set up a team of experts from attending countries "to review security cooperation among them," according to the statement, and also said they would "exchange information on terrorist activities threatening Iraq and neighboring countries."

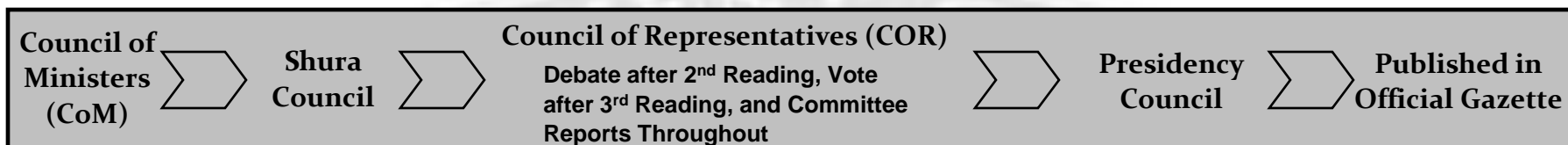
POLITICAL – Government of Iraq





POLITICAL – Key Legislative Issues

Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law, approved March 3, will regulate the operations and funding of Non-Governmental Organizations operating within Iraq.

POLITICAL – Refugee Update

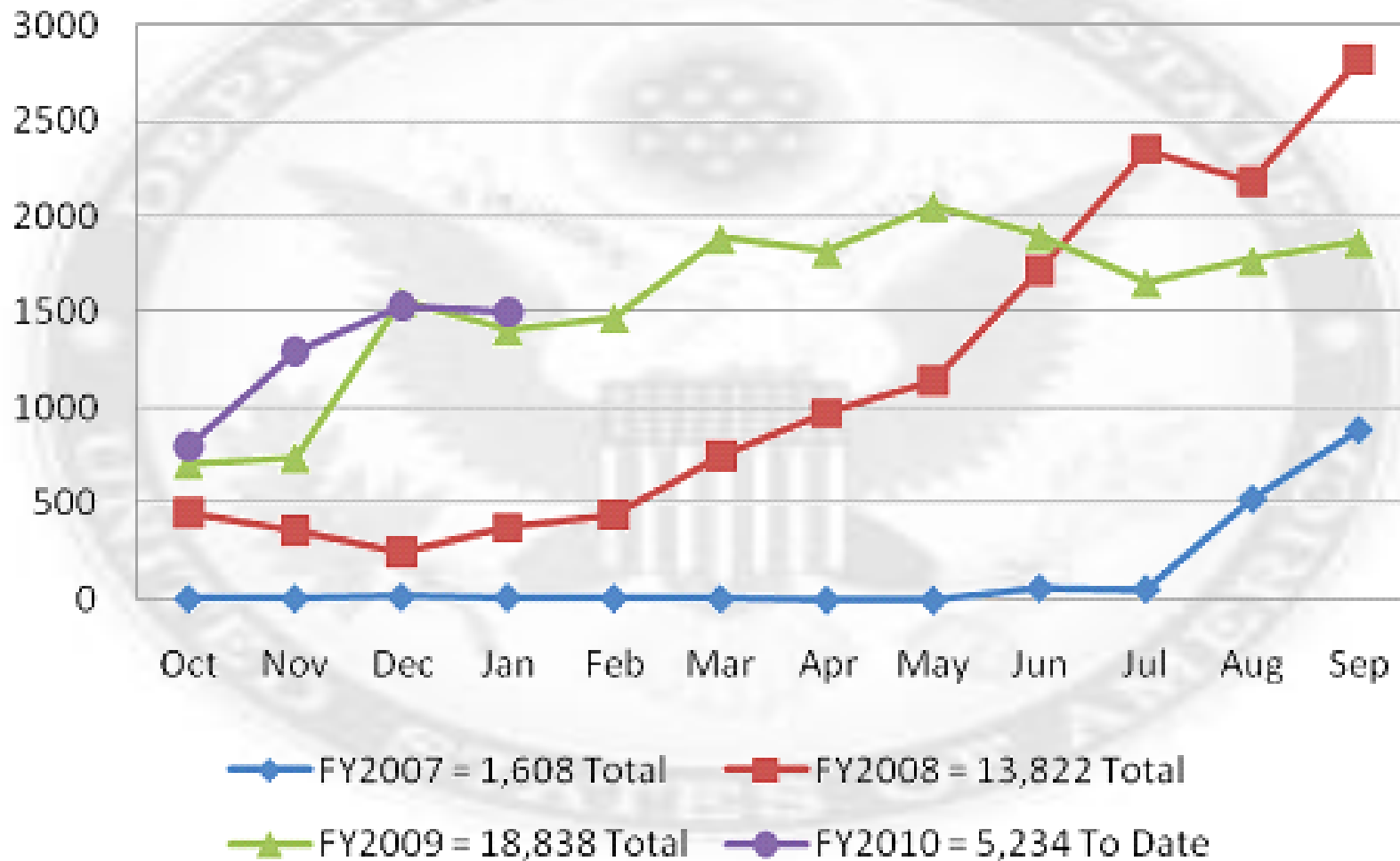


- **There are almost 229,000 Iraqi refugees currently registered with the UN High Commissioner for Refugees (UNHCR) in neighboring countries and an undetermined number of unregistered refugees. UNHCR reports that 1.5 million Iraqis remain internally displaced due to sectarian violence following the Samarra Mosque bombing of February 2006.**
- **Since the beginning of 2008, some 464,000 Iraqis have returned to their neighborhoods in Iraq. The majority of the Iraqis returning were internally displaced persons.**
- **In FY09, the U.S. Government contributed \$387 million to international and non-governmental organizations to assist Iraqi refugees, internally displaced, and conflict victims.**
- **Since the program's inception in FY07, 50,563 Iraqi refugees have been admitted to the U.S. for resettlement.**
- **As of September 2009, a total of 1,143 Special Immigrant Visas (SIVs) have been issued for Iraqi translators and interpreters (and their dependents) since FY07 (under the Section 1059 program).**
- **As of September 2009, a total of 1,716 SIVs have been issued for Iraqis employed by the U.S. government (and their dependents) since FY08 (under the Section 1244 program).**

POLITICAL – Refugee Update



Iraqi Admissions to the U.S.



SECURITY – Situation Update



Iraqi Security Forces apprehend ten suspected leaders of AQI

Ten Suspected Al-Qaida Leaders Arrested by ISF:

- **Ten suspected al-Qaida in Iraq (AQI) leaders have been apprehended, according to an Iraqi general in command of the Quick Response Department (QRD). General Nuaaman Dakhel said that on September 28, the QRD made the arrests in Salah ad-Din, Ninewa, Wasit, Babil and Baghdad and that the suspects included Mohammad Nasser al-Juburi, a fugitive who escaped from a jail in Baghdad earlier this year.**

Ministry of Interior Demotes Hundreds of Police Officers in Vetting Process:

- **A special committee in the Ministry of Interior tasked with vetting police forces across the country has decided to strip hundreds of Anbar police officers of their ranks after it was determined that they did not have adequate credentials. Most, if not all of the officers are Sunni Awakening members. They will either have to leave or stay on the force at a lower rank and position. Tribal leaders and Anbar police officials are protesting the decision.**

SECURITY – Situation Update



Iraqi Security Forces apprehend ten suspected leaders of AQI

ISI Claims Responsibility for Bombings:

- **Islamic State of Iraq (ISI), the front group for AQI, claimed responsibility for two bombings on September 19 in Baghdad that killed nearly 30 people at a National Security Ministry building and a store owned by mobile phone provider Asiacell. In a statement posted on the internet on September 24, ISI boasted of its ability to continue carrying out attacks against its intended targets.**

ECONOMIC – Oil



Crude oil average closing prices

Price averages in world markets closed with the following prices:

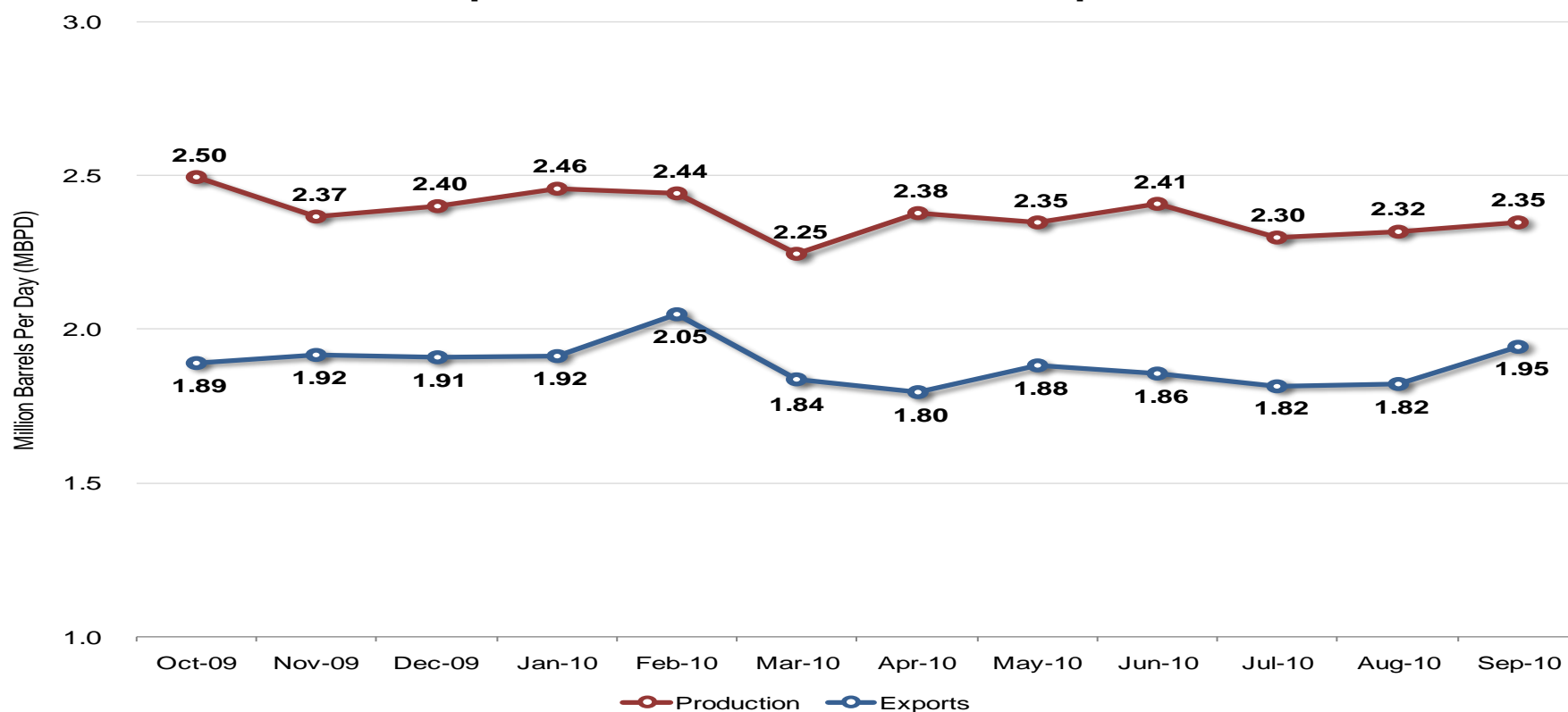
Basrah Light: \$75.12/barrel

Dated Brent: \$78.00/barrel

WTI Cushing: \$73.87/barrel

Oman/Dubai: \$75.57/barrel

Iraq Crude Oil Production and Exports



Iraq's Oil Revenue

2008: \$61.9 Billion

2009: \$39.2 Billion

2010 (ytd estimate): \$38 Billion

ECONOMIC – Oil



The GOI and Turkey approve new transit agreement for the Iraq-Turkey pipeline

Turkish Minister of Energy and Iraqi Oil Minister Agree on New Transit Agreement:

- **Turkish Minister of Energy Taner Yildiz and Iraqi Oil Minister Hussein al-Shahristani signed a new transit agreement for the Iraq-Turkey Pipeline that will last 15 years and has a 5-year option. The Iraq-Turkey Pipeline has a nameplate capacity of 1.6 million barrels per day (bpd), but currently averages around 450,000 bpd. The reason for this deterioration is because Iraq has only one functional transnational pipeline. Though details of the new agreement were kept secret, both governments acknowledged that Iraq will pay Turkey a transit fee based on a minimum throughput level. If exports fall below that level, the fee increases; as exports rise, the fee decreases. In the joint declaration, the two sides also committed to forming a working group to implement an Oct. 15, 2009 memorandum of understanding (MOU) on developing a natural gas corridor. Both Yildiz and Shahristani said the agreement protected Iraqi oil from creditors who use Turkish courts to collect old debts. A similar protection has been given by the U.S. and UN to Iraqi oil revenue, all of which is kept at the Federal Reserve Bank of New York.**

ECONOMIC – Oil



The GOI and Turkey approve new transit agreement for the Iraq-Turkey pipeline

Oil Ministry Will Include Water Cooling, Other Technologies as Part of Oil Contracts:

- On September 21, the Iraqi cabinet approved a Ministry of Oil (MoO) request that tasks “foreign contracting companies to work on the implementation and operation of a joint project for water injection.” This cooling technology is particularly needed for drilling in southern Iraq’s drought-ridden fields, which include Rumaila, Zubair, West Qurna 1 and 2, and Majnoon. As part of a larger initiative to develop its oil capabilities and benefit from foreign expertise, the MoO and Iraqi cabinet have also stated that other infrastructural costs in addition to water injection technologies will be mandated and paid for through oil contracts.

ECONOMIC – Fiscal and Monetary Affairs



GOI will implement national monetary policy with KRG banks on-board

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Debt Swap Bond Prices and Yields				
Price (USD)	\$85.80	\$85.70	\$86.19	\$64.50
Yield	7.25%	7.26%	7.21%	10.32%

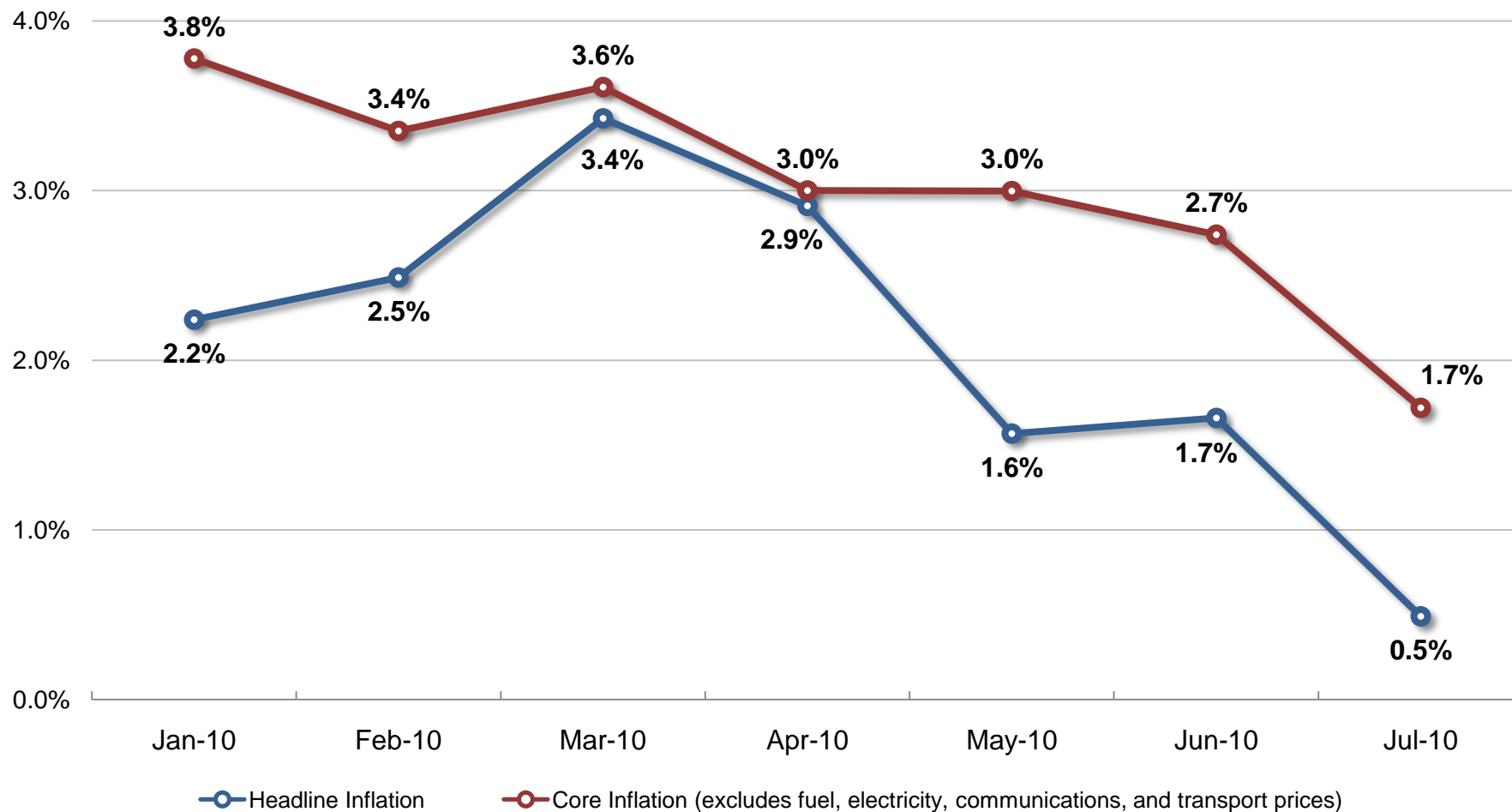
KRG Agrees to Integrate Central Banks into National Fiscal System:

- The KRG has shown willingness to cooperate with the GOI and detach its two central banks in Sulaymaniyah and Erbil from the KRG Ministry of Finance in the coming days. Per the GOI request, the two banks will then be integrated into the Central Bank of Iraq, permitting the GOI to establish and implement a national monetary policy. An advisor for the Central Bank of Iraq acknowledged the KRG's limited control over the two banks and its inability to issue currency when discussing the banks' integration into Iraq's national fiscal system.

ECONOMIC – Fiscal and Monetary Affairs



Iraq: Year-on-Year Inflation

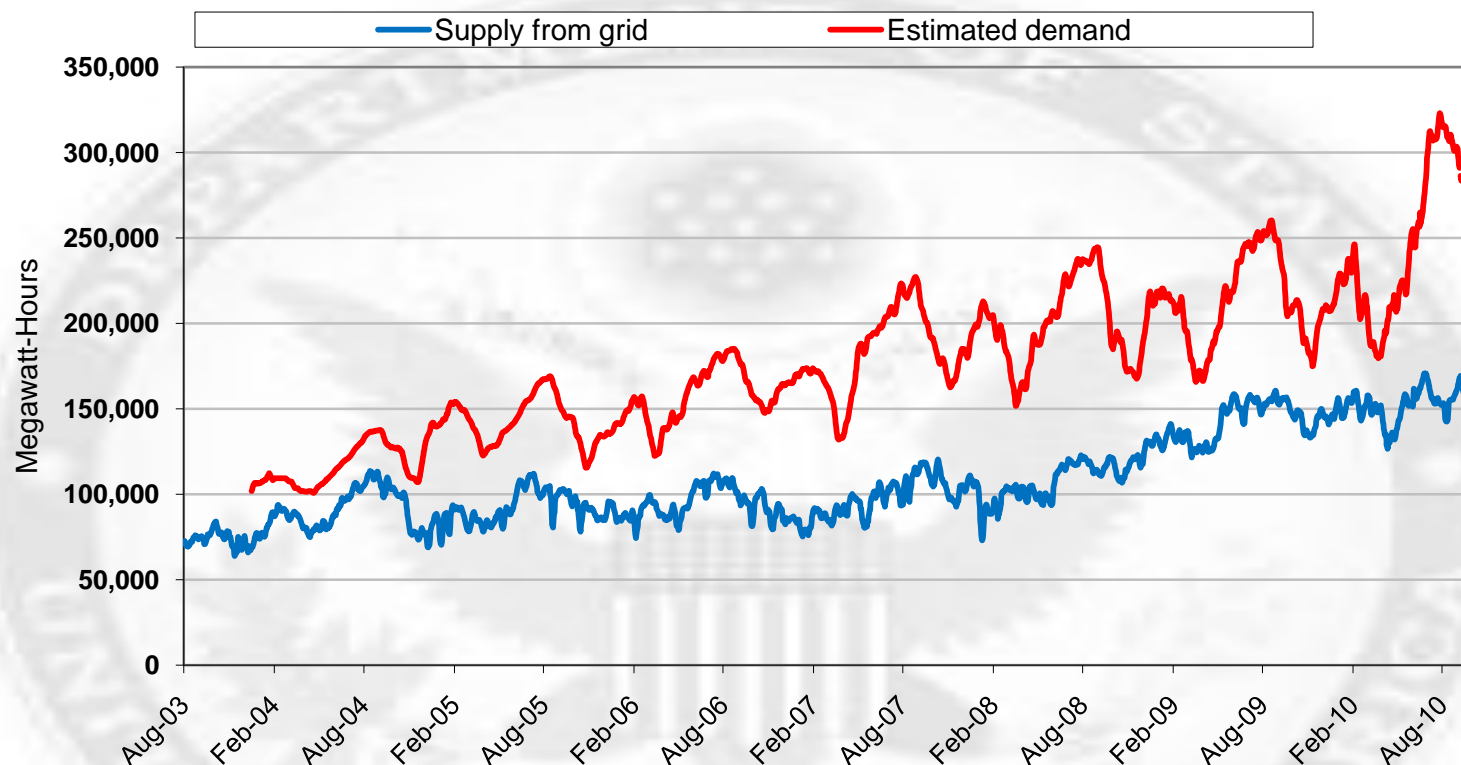


• In 2010, the Central Bank of Iraq began using a new Consumer Price Index. As a result, year-on-year inflation data prior to January 2010 cannot be directly compared.

Public Services – Electricity



Daily Electricity Supply from the Grid and Estimated Daily Demand



- September 20-26 supply from the grid was 1% above the year-earlier period and met 55% of estimated demand compared with 76% for the same period in 2009.
- The large decline in percentage of estimated demand served from 2009 principally reflects the fact that, in comparison with last year, there has not yet been a large decline in the demand from the summer level.

ECONOMIC – Public Services



Regional governments procure construction and electricity services to meet constituents' needs

KRG Hosts International Construction Fair:

- Since September 27, the KRG Housing Ministry has hosted approximately 50,000 engineers, contractors, and project managers from 300 companies and 22 countries for its third international construction fair. The KRG has allocated \$25 billion to housing projects, \$8 billion to transportation projects, and \$5.5 billion in water and sewage projects, all of which need international expertise to execute. The fair concludes on September 30.

Missan Government Procures Much-Needed Electrical Services:

- Russia's Wintercroft Capital and the Missan local government have activated an April 2010 MOU under which the firm will build a steam-operated and a gas-operated electrical plant. The two plants will generate a combined 1150 megawatts of power, which represents a surplus above the more than 400 megawatts needed by Missan to meet its demand. The GOI will pay the company over a span of eight to ten years for these services.

ECONOMIC – Industry Spotlight: Maritime Transport



GOI signs deals that will bolster maritime trade at southern ports

New Terminal Will Allow GOI To Export 1.8 Million Barrels Per Day By Sea:

- **International firm Leighton Offshore and the Iraqi cabinet have agreed to a deal worth \$733 million, under which the firm will build a new, floating oil terminal in Basrah that will have the capacity export 1.8 million bpd. The new terminal will bring the total export capacity of Iraq's southern oil terminals to 3 million bpd and will help Iraq in meeting its goal of installing four new, floating oil terminals. Under the deal, the firm will also construct pipelines that extend from oil fields to the terminal. Of the \$733 million, \$175 million has already been allocated from the GOI's 2010 budget; the remainder of the amount will be allocated under the 2011 budget.**

Umm Qasr Port Will Expand Capacity Up to One Million Containers:

- **On September 27, the State Company for Iraqi ports signed a deal with an international firm that will build a containers terminal at Umm Qasr port, located in Basrah province. The terminal will be able to house up to one million containers for Bashah's five commercial ports and two oil ports. Construction of the terminal will be done in three phases and should be completed within 15 months of its start.**

DIPLOMATIC – Political Engagement



Iraqi regional and international reintegration

Iraq and Syria Restore Full Diplomatic Relations:

- **Iraq and Syria have agreed to restore full diplomatic relations, more than a year after the two countries severed relations because Baghdad accused Damascus of harboring the masterminds of devastating terrorist attacks in the Iraqi capital. “I met the Syrian Foreign Minister to inform him that the Iraqi government has decided to restore full diplomatic relations by sending back our ambassador to Damascus,” Iraqi Foreign Minister Hoshyar Zebari said. He added, “the Syrian side welcomed that and agreed to send their ambassador to Baghdad as soon as possible.”**

Talabani Discusses Progress in Iraq at UN General Assembly:

- **Iraqi President Jalal Talabani addressed the UN General Assembly on September 23, saying significant advancements have been made in Iraq since U.S.-led military forces removed Saddam Hussein from power in 2003. “The situation in Iraq has changed as a result of immense positive developments that have taken place since the collapse of the former regime and the end of the dictatorship,” he told UN delegates. He noted that despite a steady trickle of terrorist attacks throughout the country, Iraq was better suited to take the lead in security operations since U.S. Forces ended their combat missions last month.**

DIPLOMATIC – Political Engagement



Iraqi regional and international reintegration

Iraq to Address Kuwaiti Victims Claims:

- **Iraq will allow Kuwaitis who owned Iraqi real estate to recover property seized by the regime of Saddam Hussein after his invasion of Kuwait 20 years ago, according to a statement from Iraqi government spokesman Ali al-Dabbagh. The GOI has also formed a ministerial committee “to study the cases of citizens displaced from Kuwait, in order to help them regain their rights and money,” he said. Iraq invaded its southern neighbor in August 1990 before being forced to pull out by a U.S.-led international coalition seven months later. During the invasion, Hussein’s regime confiscated Kuwaiti property in Iraq and plundered airplanes and other equipment from Kuwait.**

Baghdad and Beyond



Calcium Bentonite Powder

Al Anbar

Dhi Qar

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

The PRT Econ Team held its 20th weekly economic development class for sector-specific subject matter experts in partnership with the Anbar Economic Growth Council. This session focused on a process for researching and analyzing potential investments with a high rate of return. Drilling muds was used as a case study for the course because of Anbar's large deposits of calcium bentonite and Iraq's rapidly growing demand for drilling the material. This session marks the end of the 60-hour basic economic development course. It will be followed by an advance-level course, which should involve members of the private business sector and university faculty.

The PRT's Regional Public Diplomacy Officer recently hosted a lunch for Dhi Qar's cultural, youth and sports leaders at the Mittica Training Center. The 23 guests included musicians, athletes, painters and officials from the Directorate of Youth and Sports. The lunch allowed the leaders to get acquainted and to discuss areas of cooperation. Musician Abdul al-Jabar commented that “this cultural gathering opened [his] eyes to collaboration not just with the PRT but also with Iraqi cultural centers across the region.”



CONTACT INFORMATION

This brief draws from multiple sources. References are cited on the following pages.

For additional information, please see:

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- **Department of State, Section 1227 Report on Iraq**
<http://2001-2009.state.gov/p/nea/rls/rpt/>
- **Department of Defense, Section 9010 Measuring Stability and Security in Iraq**
http://www.defenselink.mil/home/features/Iraq_Reports/index.html

Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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